

## **REVERSE CHRONOLOGY OF CORRESPONDANCE WITH EXAMINER**

### **1. Request for Interview:**

(a) As a 'pro se' applicant I did not understand the grounds for rejection specified in the Examiner's Response to the original application I filed on 1/20/2004. I received that response at the end of January 2008. It contained the definitions of the Statutory Class designations. After reviewing material to respond, I contacted the Examiner by telephone in March and had a short discussion to clarify the rejections of all claims. In another short discussion thereafter, it was agreed based on our conversation that I would submit a **DRAFT** response to serve as a basis of discussion to clarify the rejections along with a request for an interview. I generated that draft response, which included (a) draft claims revisions, (b) the rationale for identifying the two Statutory Classes that I indicated were possible, and (c) submitted an Interview Request form.

(b) A telephonic interview was completed on 4/4/2008. The Examiner clarified the basis for the original rejection, and cited recent (2007) Case Law changes to the definitions of the Statutory Classes. After considerable discussion, it was agreed that he would approve a language change to the Claims ('instrument' to 'product' -a semantic change of equivalence) that should follow the recent case law conventions. However, it should be pointed out that at the time the Applicant filed the patent, Case Law changes were not in effect (however the original claim fortuitously "anticipated" the change). I was not aware of these procedural changes until the Examiner provided some information (In Re Comiskey) at the telephonic interview. I have enclosed additional information on the Case Law with this response.

## DISCUSSION OF RESPONSE TO EXAMINER'S DETAILED ACTION

### 1. Objection: Specification

The Abstract has been edited to reduce the length to less than 150 words. No new material has been introduced. Any insertions refer to words or phrases incorporated in the original Abstract, or are equivalent in meaning (e.g., "protect" versus "hedge"). Thus this Objection is overcome.

### 2. Claim Rejections: 35 – USC § 101 and 35 – USC § 112

The following excerpt(s) from the above Claim Rejections and interpretations thereof, and modifications to the claims, should overcome the stated objections:

The Examiner's quotation regarding the § 101 rejections is as follows, with underlining provided to refer to claims changes proposed by the Applicant in response to the above rejection:

The Examiner's quotation is provided below with underlining to emphasize the focus of the Applicant's response:

An invention must be a "new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof"

- (1) The Applicant hereby claims that the Subject matter claimed is directed toward the category 'an (article of) manufacture' or 'any new or useful improvement thereof' as included in 35 U.S.C. 101 and can include:

"a product made by a particular process".

Claims language above has been amended to reflect this change that should overcome the Examiner's rejection "that the invention is directed to non-statutory Subject matter". Three separate extracts supporting the Applicant's response are provided covering Case Law (attached Items #2, #3, #4) and one extract covers MPEP 35 U.S.C. 101 and 112 Guidelines (attached Item #1).

Note that the applicant has not selected the statutory category "machine" in the revised claims language above, and hence the examiner's rejection under 35 U.S.C. 101 of Claims 1-4 as "inoperative and therefore lacks utility" is no longer valid. Claim #2 does not refer to or cannot be "interpreted as software program elements or software (Examiner's language)" as Claim #2 is currently revised above.

To summarize the above:

MPEP 7.05.01 Rejection, 35 U.S.C. 101, Non-Statutory:

Paragraph a) rejections have been overcome by the revised claims language above under "CLAIMS" (and supported by the Specification).

Paragraphs b) and c) do not apply (e.g., "abstract idea, natural phenomenon, law of nature").

MPEP 7.05.02 and 7.05.03 Rejections, 35 U.S.C. 101, Utility Lacking and Inoperative:

The modifications above to Claim 1 and Claim 2 overcome these rejections, and therefore these rejections cited in Examiner item #6 ("specific and substantial", "credible" and "specific and substantial asserted" utility) no longer apply.

MPEP 7.05.04 Rejections under 35 U.S.C. 112 (and linked to above .02 and .03 35 U.S.C. 101 rejections), Lacking Asserted or Well Established Utility:

In Re Warmerdam 31 USPQ2d 1754: The Claims above (as well as the original Claims) do not specifically refer to "a claim to a data structure" or "including computer programs". The patent Specification does refer to use of computer programs to estimate the demographic population changes that could affect the profitability of this financial product. However, it would be obvious to any financial institution how to use the data provided in the specification text and equations associated with the figures, and therefore no claims to specific computer aids were made. In addition, as indicated above, the applicant has not selected the statutory category "machine", which would be expected to include description(s) of computer programs.

### 3. Prior art made of record and not relied upon:

- a. Patent # 7,269,566 (Elliot, Douglas R.) refers to a means to value intellectual property (e.g., patents) and hence cannot be used for a prior art rejection. This applicant has used a Black-Scholes algorithm to value certain patents granted to him, and is therefore well aware of the subject matter of this referenced patent. The above referenced patent has nothing to do with the protection of assets, as is the case with this applicant's patent, but rather how to value a granted patent based in part on the projected revenue stream of the patented product and the number of years remaining on the life of the issued patent.
- b. Patent # 6,360,210 (Wallman, Steven M. II.) refers to a method to hedge against loss of value by creating a "virtual" portfolio of related assets based on a computer program that evaluates the "virtual" portfolio. This applicant's (Schoen, App. #10/759,145) patent deals with actual ownership of real estate and actual expenditure of ownership of real estate by the transfer of partial ownership to create protection against loss of value of the owned real estate, and hence should not be considered for prior art rejection.

Item #1

4/4/08

In Re Konistkey (Case Law)

Law - Statutory Class

4/5/08

IN Re Nuyten

\*\*\* Gajarsa

Circuit Judge

U.S. patent law requires that patentable inventions fall within one of five classes of statutory inventions. The classes of inventions are (1) a process, (2) a machine, (3) an (article of) manufacture, (4) a composition of matter and (5) an improvement of an invention in one of the other four classes (35 U.S.C. 101). Inventions in classes 2, 3, and 4 are sometimes referred to as products.

A statutory "process" can be (1) a method of operation of a machine or a method of operation on (or using) a composition of matter or on an article of manufacture or (2) a process of making something. Inventions that are processes are also referred to as methods, techniques, or arts. The statutory class process also includes a new use of a known process, machine, manufacture, or composition of matter. Examples of process inventions are as follows: a method of operation of a computer, a method of using a microorganism, a method of making a product, a method of playing a game, etcetera.

A statutory "machine" is an apparatus that performs some function. Inventions that are machines are also referred to as apparatus, devices or systems. Examples of machines are as follows: a general-purpose computer programmed to perform a certain operation, an apparatus for carrying out a certain process, a carburetor, etcetera.

A statutory "article of manufacture" is a manufactured product. There is no clear distinction between a machine and an article of manufacture in the law. Inventions that are articles of manufacture are also referred to as articles or manufactures. Examples of articles of manufacture are as follows: a product made by a particular process, a capacitor, a child-resistant package, etcetera.

A statutory "composition of matter" is a combination of chemical components. Inventions that are compositions of matter are also referred to as compositions. There is often no clear distinction between an article of manufacture and some types of a composition of matter. Examples of compositions of matter are as follows: a purified protein, a polymer, an alloy, a mixture, a solution, etcetera.

The position of the USPTO on this issue is described in the following section(s) of the Manual of Patent Examining Procedures (MPEP):

MPEP 706.03(a) - Rejections under 35 U.S.C. 101

MPEP 2105 - Patentable Subject Matter - Living Subject Matter

MPEP 2106 - Patentable Subject Matter - Computer-Implemented Inventions

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101

look at case law

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# Federal Circuit Patent Watch

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Item #2

SEPTEMBER 20, 2007

## In re Comiskey

No. 06-1286, Federal Circuit (Michel, Dyk, Prost)

*[The patent law] does not allow patents to be issued on particular business systems—such as a particular type of arbitration—that depend entirely on the use of mental processes.*

On September 20, 2007, the Federal Circuit, inter alia, affirmed the Board of Patent Appeals and Interferences decision that upheld the patent examiner's rejection of certain claims of U.S. patent application Serial No. 09/461,742, which related to a mandatory arbitration system involving legal documents, such as wills or contracts, as unpatentable subject matter under 35 U.S.C. § 101. The Federal Circuit stated:

It is well-established that "[t]he first door which must be opened on the difficult path to patentability is § 101." Only if the requirements of § 101 are satisfied is the inventor "allowed to pass through to" the other requirements for patentability, such as novelty under § 102 and, of pertinence to this case, non-obviousness under § 103. . . . Comiskey's application may be viewed as falling within the general category of "business method" patents. [B]usiness methods are "subject to the same legal requirements for patentability as applied to any other process or method." . . .

"Abstract ideas" are one type of subject matter that the Supreme Court has consistently held fall beyond the broad reaches of patentable subject matter under § 101. "A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right." . . . The prohibition against the patenting of abstract ideas has two distinct (though related) aspects. First, when an abstract concept has no claimed practical application, it is not patentable. . . . Second, the abstract concept may have a practical application. [A] claim reciting an algorithm or abstract idea can state statutory subject matter only if, as employed in the process, it is embodied in, operates on, transforms, or otherwise involves another class of statutory subject matter, i.e., a machine, manufacture, or composition of matter. [O]nly two instances [exist] in which such a method may qualify as a section 101 process: when the process 'either [1] was tied to a particular apparatus or [2] operated to change materials to a 'different state or thing.'" . . . Thus, a claim that involves

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ATTORNEYS AT LAW

Ifan #2

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both a mental process and one of the other categories of statutory subject matter (i.e., a machine, manufacture, or composition) may be patentable under § 101. . . . However, mental processes or processes of human thinking—standing alone are not patentable even if they have practical application. The Supreme Court has stated that “[p]henomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work.” . . . Following the lead of the Supreme Court, this court and our predecessor court have refused to find processes patentable when they merely claimed a mental process standing alone and untied to another category of statutory subject matter even when a practical application was claimed. . . .

It is thus clear that the present statute does not allow patents to be issued on particular business systems—such as a particular type of arbitration—that depend entirely on the use of mental processes. In other words, the patent statute does not allow patents on particular systems that depend for their operation on human intelligence alone, a field of endeavor that both the framers and Congress intended to be beyond the reach of patentable subject matter. Thus, it is established that the application of human intelligence to the solution of practical problems is not in and of itself patentable. . . .

Comiskey has conceded that these claims do not require a machine, and these claims evidently do not describe a process of manufacture or a process for the alteration of a composition of matter. Comiskey’s independent claims 1 and 32 claim the mental process of resolving a legal dispute between two parties by the decision of a human arbitrator. They describe in essence “conducting arbitration resolution for [a] contested issue” and “determining an award or a decision for the contested issue” through a pre-determined “mandatory” arbitration system, and thus claim the use of mental processes to resolve a legal dispute. [Thus,] Comiskey’s independent claims 1 and 32 seek to patent the use of human intelligence in and of itself. Like the efforts to patent “a novel way of conducting auctions” which Schrader found to be directed to an abstract idea itself rather than a statutory category, Comiskey’s independent claims 1 and 32 describe an allegedly novel way of requiring and conducting arbitration and are unpatentable.

For more information on these issues or other intellectual property law matters, please contact **Lawrence M. Sung, Ph.D.** at [lsung@nixonpeabody.com](mailto:lsung@nixonpeabody.com) or 202-585-8221.

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Item #3

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January 14, 2008 | Posted By

## 2007 - An Exciting Year For Patent Law

The patent law and business communities spent much of 2007 waiting anxiously to learn whether the Patent Reform Act of 2007 would become law. We now know the answer - it will not. Though once again Congress has failed to adopt meaningful patent reform, patent law continued to evolve in 2007 through several significant decisions handed down by the United States Supreme Court and the Court of Appeals for the Federal Circuit. Generally speaking, these several decisions improved the ability of an accused infringer to defend itself.

1. In *KSR*, the Supreme Court lowered the bar for finding invalidity under the Section 103 obviousness standard. One might say only half in jest that obviousness is now more obvious. The Court eliminated what had been the Federal Circuit's absolute requirement that there be a teaching or suggestion or motivation to combine two references in the prior art prerequisite to finding obviousness based on the combination. *KSR Int'l. Co. v. Teleflex, Inc.*, 127 S.Ct. 1727 (2007).
2. In *Microsoft v. AT&T*, the Supreme Court in declining to stamp Microsoft an infringer adopted a narrow interpretation of Section 271 (f). The Court held that software copied outside the United States from a master disk shipped from the United States was not itself a component shipped from the United States within the meaning of Section 271 (f). The copy of the master disk software was treated as a separate component from the original software. Therefore, the copied software could be installed on computers overseas without implicating the U.S. patent at issue. This further restricts the extraterritorial effect of U.S. patents. *Microsoft Corp. v. AT&T Corp.*, 127 U.S. 1746 (2007).
3. In *Medimmune*, the Supreme Court held a patent licensee need not breach its license agreement in order to maintain a declaratory judgment suit for invalidity. The Court found that a case or controversy existed even though Medimmune continued to pay royalties and could not be sued for infringement. Thus, certain patent licensees may find it possible to contest the validity of the licensed patent while maintaining the protection afforded by the license agreement. Moreover, based on the Court's reasoning, it is now generally more likely that a declaratory judgment suit can be brought and maintained. *Medimmune, Inc. v. Genentech, Inc.*, 127 U.S. 764 (2007).

The Federal Circuit also handed down several decisions which will no doubt prove helpful to accused infringers.

1. The Federal Circuit's decision in *In re Seagate* altered the test to be applied in determining willful infringement and the award of enhanced damages. The new standard eliminated an individual's "affirmative duty to exercise due care to determine whether or not he is infringing." Under the new standard a patent owner must prove by "clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007).
2. The Federal Circuit in *In re Nuijten* and *In re Comiskey* found several types of claims unpatentable for failing to qualify as one of the four statutorily recognized categories of patentable subject matter under Section 101: a process, a machine, an article of manufacture or a composition of matter. The court found claims directed to an electrical signal (*In re Nuijten*) and claims directed to an arbitration process implemented solely by a mental process (without any machine interface) to be unpatentable. These decisions will lead practitioners to once again consider raising Section 101 invalidity defenses, especially against so called business method patents. As held in *Comiskey*, business methods "standing alone and untied to another category of statutory subject matter" do not pass the threshold test of patentability. *In re Nuijten*, 500 F.3d 1346 (Fed. Cir. 2007) and *In re Comiskey*, 499 F.3d 1365 (Fed. Cir. 2007).
3. The remedies available to a successful patent owner (and the ability of an adjudged infringer in certain circumstances to continue selling infringing product) continued to evolve in light of the 2006 decision in the *eBay* case in which the Supreme Court held that permanent injunctions should not automatically be entered against an infringer. Instead the Supreme Court directed that courts use the traditional four factor test applied by courts of equity when considering whether to award permanent injunctive relief.

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Item #4

carried out or performed.”). Nuijten’s argument that his claims might be covered by the “process” category even if they do not recite acts therefore lacks merit.

Nuijten also notes that his signal claims recite acts, noting that the claimed signal must be “encoded in accordance with a given encoding process.” But all that recitation implies is that these are potentially product-by-process claims “in which the product is defined at least in part in terms of the method or process by which it is made.” SmithKline Beecham Corp. v. Apotex Corp., 439 F.3d 1312, 1315 (Fed. Cir. 2006) (quoting Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 158 (1989)).

Such claims are still directed to the ultimate product, not the underlying process. See Id. at 1317 (“Regardless of how broadly or narrowly one construes a product-by-process claim, it is clear that such claims are always to a product, not a process.”). The presence of acts recited in the claim does not transform a claim covering a thing—the signal itself—into one covering the process by which that thing was made.

Since a process claim must cover an act or series of acts and Nuijten’s signal claims do not, the claims are not directed to a process.

## 2. Machine

The Supreme Court has defined the term “machine” as “a concrete thing, consisting of parts, or of certain devices and combination of devices.” Burr v. Duryee, 68 U.S. (1 Wall.) 531, 570 (1863). This “includes every mechanical device or combination of mechanical powers and devices to perform some function and produce a certain effect or result.” Corning v. Burden, 56 U.S. 252, 267 (1854). A transitory signal made of electrical or electromagnetic variances is not made of “parts” or “devices” in any mechanical sense. While such a signal is physical and real, it does not possess



### CLAIMS (As Amended)

Claim 1. A financial product [instrument] to protect the value of residential real estate, comprising;

means in the form of [a] financial business entities to administer the creation and distribution of said financial product [instrument], wherein said business entities functions comprise;

means to secure fractional ownership of said residential real estate, wherein said means is selected from a group comprising; a purchase or loan of said fractional ownership of said real estate, or a combination of both;

means to provide a form for said financial product [instrument], wherein; said form is selected from a group comprising; deeds of fractional ownership of said real estate, fractional ownership mortgage-backed securities (MBS) of said real estate, loan notes of said fractional ownership of said real estate, insurance policies on said fractional ownership, or a combination of said forms;

means to provide for a source of funds to create and sell said financial products [instruments] to public markets in forms selected from a group comprising;

exchange traded funds (ETF's), commodity futures, index funds, or annuities.

Claim 2. A financial product [instrument] according to Claim 1 wherein said means to secure fractional ownership of said residential real estate is in the form of a direct purchase by said financial business entities of a fractional share from each participating residential real estate property owner, wherein said fractional purchases are secured by fractional deeds of trust on the purchased properties, and wherein;

any profit from the sale of a participating real estate property is disbursed in a manner selected from a group comprising; retention of all profit by said financial

business entities, or a sharing of profits above a set appreciation rate with said property owner as an inducement to participate in creating said financial product [instrument].

Claim 3. A financial product [instrument] according to Claim 1 wherein said means to secure fractional ownership of said residential real estate is in the form of a loan note to said financial business entities of a fractional share from each participating residential real estate property owner, wherein said loan notes are secured by fractional deeds of trust on the purchased properties, and wherein;

any profit from the sale of a participating real estate property is disbursed in a manner selected from a group comprising;

return of said loan note to said property owner with no accrued interest or payment, or a sharing of profits from the sale of said property above a set appreciation rate with said property owner as an inducement to participate in creating said financial product [instrument].

Claim 4. A financial product [instrument] according to Claim 1 wherein said means to secure fractional ownership of said residential real estate is selected from a group comprising;

a no-cost transfer to said financial business entities of a fractional share from each participating residential real estate property owner wherein said no-cost transfer of fractional deeds of trust on the purchased properties pays for insurance against loss of said owner property value, or;

payment of premiums to said financial business entities for insurance against loss of said owner property value, and wherein;

any profit from the sale of a participating real estate property is disbursed in a manner to provide an inducement to participate in creating said financial product [instrument], selected from a group comprising;

no return of the original value of said no-cost transfer of fractional deeds of trust on the purchased property if said property owner sells his property at a profit, or a sharing of profits from the

sale of said fractional deeds of trust on said property above a set  
appreciation rate with said property owner, or:

return of a fraction of said premiums for insurance against  
loss of said property.

- c. Patents # 5,987,435 and # 6,513,020 refer basically to financial assets, and is similar in concept to the Wallman patent (# 6,360,210 in b. directly above), wherein the "virtual portfolio of related assets" is equivalent to the "proxy asset" of the Weiss, et. al. patents (# 6,513, 020 and # 5,987,435). The above Weiss patents relate to a 'method' or 'process' statutory class, and not to "an (article of) manufacture" or "a product made by a particular process" (see Item #1 included for reference) statutory class. These patents refer to using other liquid assets rather than real estate assets (hence the name "proxy" or "virtual" assets) to hedge against real estate. This applicant's patent application deals solely with individual home assets, in the form of home property deeds or loans based on these deeds; no other asset type or proxy is involved. This instrument (HAVENs) is not "liquid" and is not intended to operate as liquid financial securities (e.g., stocks, bonds, commodities) that can be traded on short-term bases (e.g., days, weeks, or months). In addition, they will involve government (state/local) participation due to the constraints on property ownership and government taxation. Also, they are primarily intended for downside protection only, as opposed to the structure of the Weiss patent that by necessity requires both profit and loss to be handled. This patent is particularly tied to real estate, since individual homes cannot be bought and sold rapidly, as is necessary for the case of the Weiss patent; therefore the structure of the Weiss instruments is particular unsuited to real estate, since investors in liquid assets typically expect to be able to react quickly to changes in securities markets for protection, for example. Thus, this application should not be considered for prior art rejection.

The above comments in Item #3 above are therefore correctly identified as "not relied upon".

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